Parkbridge
LIFESTYLE
COMMUNITIES INC.

2005 ANNUAL REPORT

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CORPORATE PROFILE

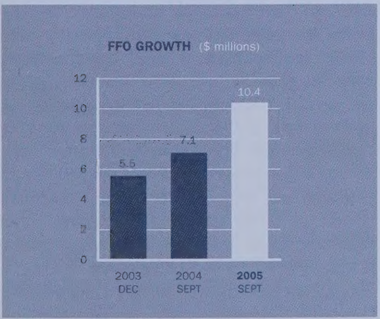
Parkbridge is one of Canada's leading owners, operators and developers of residential and recreational land lease communities. Parkbridge's land lease communities are comprehensive developments designed and improved for the placement of a single family home or recreational dwelling. Parkbridge presently owns 46 land lease communities with just over 9,900(1) sites and capacity to add a further 3,700 sites. The portfolio is concentrated in the provinces of Alberta, Ontario and Quebec.

The Corporation's principal objective is to own high quality assets capable of delivering stable cash flows and growth while, at the same time, providing residents with alternative lifestyle accommodations in a well-maintained and secure environment.

Parkbridge is listed on the Toronto Stock Exchange and its head office is in Calgary, Alberta.

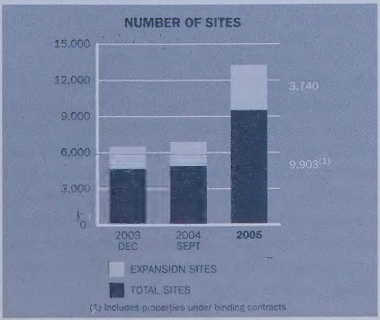
(1) Includes three properties (486 sites) under binding purchase contracts

HIGHLIGHTS



FINANCIAL HIGHLIGHTS

($000s, except per share amounts)	Twelve months ended Sept 30 (Audited) 2005	Twelve months ended Sept 30 (Unaudited) 2004	Nine months ended Sept 30 (Audited) 2004
Funds from operations (FFO)	**10,430**	7,102	5,591
FFO per share – diluted	**0.20**	0.19	0.15
Net income (loss)	**3,401**	(1,517)	(962)
Net income (loss) per share – diluted	**0.07**	(0.04)	(0.03)

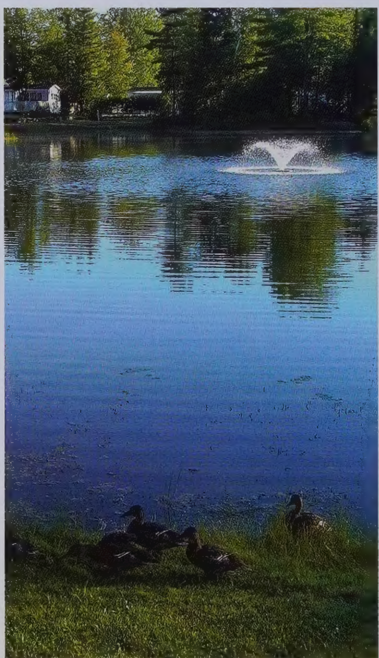


SHARE INFORMATION

	2005 HIGH	2005 LOW
Common	**6.89**	4.15
Non-voting	**5.15**	4.00

AVERAGE NUMBER OF SHARES OUTSTANDING	
Common	22,128,420
Non-voting	27,800,664

FELLOW SHAREHOLDERS



We are pleased to provide you with the first annual report of Parkbridge Lifestyle Communities Inc. and would like to take this opportunity to give you some perspective, both of our past and prospects for the future.

A brief look back

Parkbridge came into existence in 1998 with a view to consolidating the ownership of land lease communities in Canada, a little known and often misunderstood sector of the real estate industry. We recognized that the sector in Canada was not well established and contrasted sharply with the United States and various parts of Europe. There, land lease communities are widely accepted and recognized as a lifestyle choice for residential and recreational living. The industry is professionally run, with significant ownership in the hands of large private and public companies and is favored among investors because of its ability to deliver stable cash flows in good and bad times. In Canada, ownership is fragmented and there is generally a lack of good management and capital.

These differences existed largely for historical rather than fundamental reasons, and presented an opportunity to build Canada's first investment vehicle dedicated to owning and operating high quality land lease communities located in major centres across Canada. With funding from private sources, the Parkbridge partnership was formed and we began the process of acquiring properties in key markets. By 2004, Parkbridge had achieved sufficient scale and organizational depth to enter the public markets and in December of 2004, completed a $42 million private placement and listed its common shares on the Toronto Stock Exchange. The private placement was extremely well received and the three-fold oversubscription validated our belief in the sector and Parkbridge's prospects for the future. All of Parkbridge's original partners took back common and non-voting shares in exchange for their partnership interests and the proceeds were used to retire debt and fund further initiatives. The non-voting shares were listed on the TSX in September of 2005. Today, Parkbridge is the industry leader, owning 46 land lease communities with over 9,900 developed sites and capacity to add over 3,700 expansion sites. The properties are located in Alberta, Ontario and Quebec.

The year in review

2005 was a year of substantial change and growth for Parkbridge. Parkbridge's property portfolio grew by over 48% increasing to in excess of 7,700 sites at September 30, 2005, up from the 5,200 sites held at September 30, 2004 (or by over 90% to over 9,900 sites if one includes the properties closed subsequent to year-end and those under binding purchase contracts). The properties acquired this year helped us secure critical mass in the key geographic areas of Edmonton, Alberta, Wasaga Beach, the Kawarthas Lakes, South Georgian Bay and parts of southwestern Ontario. In the latter part of 2005, we also entered the Quebec market and closed on two properties containing 356 sites.

The growth in assets was also reflected in our financial results although the full impact of recent acquisitions will only be seen in 2006. Funds from Operations (FFO) for the 2005 year rose to $10.4 million, up 46% from the $7.1 million recorded last year. This growth was generated internally, through the combination of rent increases, operating improvements and the lease-up of new sites and externally, through acquisitions.

Our investment in expansion projects increased to $12 million in 2005 (2004 – $7 million) reflecting a number of new projects brought under active development for which zoning approvals had only recently been obtained. We recognize the risks inherent in development and continue to exercise caution over our expenditures in this area by ensuring that on average no more than a two year supply of new sites is available for lease-up in any given project.

Finally, on the organizational front we continued to build our people base and now have approximately 150 full-time staff skilled in every aspect of our business – property management, development, sales, marketing, acquisitions, finance and accounting.

A platform for growth

As we look forward, we see great strengths in Parkbridge. Our portfolio of land lease communities produces a relatively predictable cash flow stream. The properties are well located in major urban centres or strong economic regions and a large number cater to empty nesters and retirement living which are both a source of stability and future growth for our company. We have the capacity to grow significantly through internal means and can increase our portfolio by one-third through the build-out of over 3,700 expansion sites. The majority of our expansion projects now have zoning approvals in hand and a large number are top-tier communities catering to retirees and empty nesters and offering attractive amenities. Our expansion projects will bring some 200 to 350 newly leased sites to our portfolio each year and be major contributors to our growth in rental income and new home sales for the next seven to 10 year period.

We are fortunate to have built a portfolio that is capable of generating significant internal growth and expect to continue to supplement this growth with further acquisitions. Acquisitions are, however, becoming more competitive as awareness of land lease communities has increased significantly in recent times.

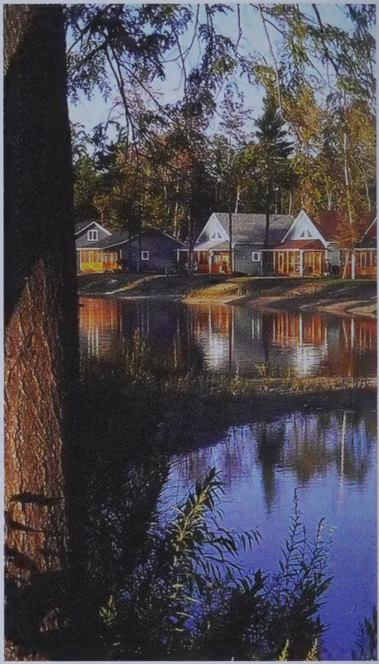
In closing

We believe we have built one of Canada's foremost lifestyle businesses. Our mix of properties offers numerous options and entry points to our customers. We look forward to maximizing their potential through expansion, physical improvements and effective cross-marketing. We will also continue to invest in properties with attractive locations and qualities compatible to our core assets.

On behalf of the Board of Directors and the entire Parkbridge team, we would like to thank our shareholders for the strong support you have given us in our initial year. We remain optimistic about Parkbridge's future prospects and will continue to adhere to our sound strategies and build long term value for our shareholders.

Joseph Killi
Chief Executive Officer

OUR BUSINESS



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Overview

At its core, the business of Parkbridge is one of providing our customers with alternative choices for residential and recreational living. Our communities are designed and improved for the placement of factory built, single family homes or recreational units, including recreational vehicles (RV's) and resort cottages. All our communities are based on a land lease concept in which residents own the individual home or recreational unit and lease the site on which their unit is located from Parkbridge. This form of ownership results in a unique joint venture in which residents become long-term stake holders in our communities.

Residential Communities

Site-set or factory built housing has broad appeal due to affordability, the quality and range of housing product available and the lifestyle and amenities provided in the communities in which they are located. Home sizes range from 1,000 square feet to 1,800 square feet and features such as bay windows, wood-burning fireplaces, en-suite baths and brick exteriors, are common. Parkbridge's 34 residential communities cater to families as well as retirees or empty nesters and typically offer amenities such as clubhouses, ponds, walking trails and swimming pools. The majority of the properties are located within strong urban centers or economic regions and offer residential homes at prices substantially lower than competing product.

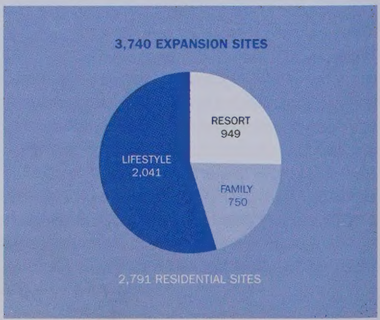
Resorts

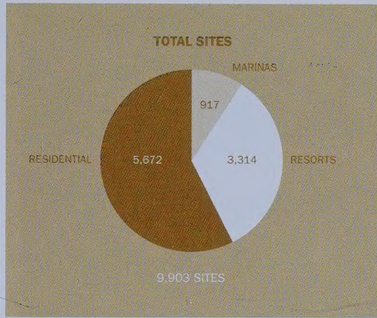
RV resorts have characteristics similar to communities but offer a wider range of amenities and activities and are generally geared to seasonal use. Our Resorts are marketed to residents seeking an affordable cottage experience in a cabin, resort cottage or RV. The majority of our residents are repeat customers who return to their unit year after year to enjoy an active lifestyle in the camaraderie of like-minded neighbours. Parkbridge also owns two full service marinas in South Georgian Bay, Ontario. Marinas are complementary to resorts in that they provide residents with a location to enjoy the use of their recreational unit.

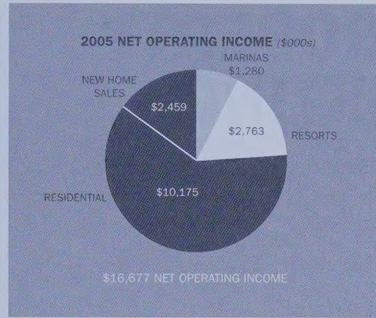
Parkbridge owns 12 large scale resorts containing over 4,200 sites, including 900 marina slips. Most resorts have waterfront locations or easy lake access and all are located in Ontario within a two hour drive from major centres such as London and Toronto. We believe the demand for resorts will remain strong due to demographics, limited new supply and the high cost of vacation property in close proximity to major centres. We are fortunate to have significant capacity to expand our properties and are well positioned to capitalize on the growing demand expected over the next several years.

Since resorts and communities are complimentary businesses by virtue of the lifestyle options they provide, we believe cross-marketing opportunities exist that will result in a number of our resort residents choosing one day to become permanent residents in our communities.

Parkbridge's communities will see considerable expansion over the next several years and a number are considered "signature" lifestyle communities catering to empty nesters and retirees.







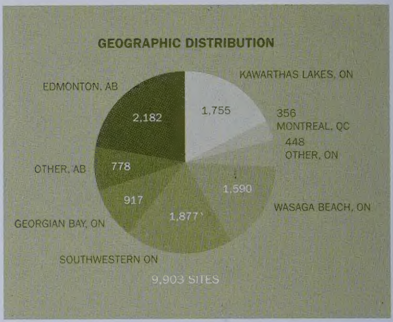
Common Features of Communities and Resorts

	Communities	Resorts
Lot Rental	$250 to $350 per month	$1,600 to $2,900 per season
Lot Size	4,500 to 6,000 sq. ft.	4,000 to 6,000 sq. ft.
Home Size	1,000 to 1,800 sq. ft.	250 to 540 sq. ft. Cabins: 900 to 1,200 sq. ft.
Price of Home	$80,000 to $200,000	$25,000 to $70,000 Cabins: $90,000 to $120,000
Construction Type	Manufactured homes on reinforced frames Modular	RV, Resort cottages Cabins
Seasonality	Year round occupancy	Seasonal uses
Construction Features	Quality equal to site built "stick" structures, Jacuzzi's, upgraded finishes, skylights	Fully outfitted, pop-outs, decks or high quality frame structures
Lease Tenure	Month to month, Annual, 20-years. Annual rent adjustments	Seasonal or daily. Annual rent adjustments

Financial Stability

Land lease communities and resorts offer a level of financial stability which we believe is superior to most other real estate asset classes. Typically, communities and resorts enjoy close to full occupancy, low turnover rates and recurring capital expenditures lower than those incurred in other real estate sectors. Since the residential or recreational dwelling is almost always sold on site, there is little or no interruption in the rental payment stream. Leases generally provide for the pass-through of operating costs such as utilities and, in the case of the newer lifestyle communities, a full pass through of operating costs. The industry is also shielded from overbuilding due to the high cost of land, difficulty in obtaining zoning and the large lead times to complete a development.

PROPERTY LISTING



The properties acquired this year helped us to secure critical mass in the key geographic areas of Edmonton, Alberta, Wasaga Beach, the Kawartha Lakes, South Georgian Bay and parts of southwestern Ontario.

SUMMARY OF PROPERTY PORTFOLIO

The following table sets forth information pertaining to the Property Portfolio held by Parkbridge as of December 15, 2005 (including those under binding purchase contracts).

Properties	Location	No. of Acres	Operational Sites[1]	% Occupancy	Average Rental Rate[2]	Developed Sites[1]	Future Expansion Sites	Year of Original Development/ Expansion
COMMUNITIES								
ALBERTA								
Maple Ridge	Edmonton, AB	86	435	100%	356	14	–	1976/2002
Oak Ridge	Edmonton, AB	40	260	100%	356	–	148	1980
Parkland Village	Spruce Grove, AB	160	634	99%	348	143	43	1975/01/03
Evergreen	Edmonton, AB	149	696	100%	343	–	58	1973/1978
Ranch Estates	Strathmore, AB	22	114	100%	375	3	–	1995/2000
Wild Rose	Brooks, AB	22	157	100%	279	–	–	1978/1996
Wildwood/Creekside	Cold Lake, AB	30	152	99%	229	–	100	1980
Wainwright	Wainwright, AB	6	34	88%	230	–	–	1979
Mile West	Lac La Biche, AB	160	64	44%	200	–	150	1990
Coachman Village	Grande Prairie, AB	12	82	100%	355	–	–	1976
Jubilee Estates	Wetaskiwin, AB	11	79	100%	250	–	2	1976
T&E	Grande Prairie, AB	60	93	100%	310	–	208	1965/1997
Subtotal		**758**	**2,800**			**160**	**709**	
ONTARIO								
Park Place	Wasaga Beach, ON	92	221	100%	292	47	109	1997/2005
Albion Sun Vista[14]	Ottawa, ON	30	130	99%	310	–	–	1972/2002
Albion Woods[14]	Ottawa, ON	133	–	–		–	570	2005
Sama	Havelock, ON	145	153	98%	202	–	100	1972/1991
Klondike/Hometown	Wasaga Beach, ON	197	325[3]	100%	247	–	–	1968/1975
Joy Vista	Lindsay, ON	31	99	100%	229	–	–	1970
Rockhaven	Ottawa, ON	40	80	100%	249	–	100	1973
Antrim Glen	Hamilton, ON	123	148	100%	270	20	122	1997/2005
Beverly Hills	Hamilton, ON	56	168	100%	321	–	–	1971
Cherry Hill	Vineland, ON	28	23	100%	320	13	348[4]	1998/2004
Wasaga Meadows	Wasaga Beach, ON	15	–	–	–	–	216[5]	2005
Martin Grove	Waterloo, ON	27	137	100%	354	–	27	1962
Georgian Glen	Wasaga Beach, ON	16	79	100%	367	11	14	1975
Northville	Thedford, ON	50	17	100%	–	11	173	1990
Tecumseh Pines	Orangeville, ON	72	184	100%	350	–	–	1983
Lougheed	Port Hope, ON	27	80	100%	266	–	–	1978
Vestavale	Thunder Bay, ON	33	85	100%	276	–	–	1972
Under Contract	–	75	250	100%	240	75	103	–
QUEBEC								
Parc Remillard	La Prairie, QC	56	288	100%	185	–	–	1978
Maison Richelieu	Richelieu, QC	10	68	100%	195	–	–	1972
Subtotal		**1,256**	**2,535**			**177**	**1,882**	
Total Communities		**2,014**	**5,335**			**337**	**2,591**	
RECREATIONAL								
Spring Valley	Mt. Forest, ON	170	281[6]	96%[15]	1,700	–	135[6]	1975
Wasaga Pines	Wasaga Beach, ON	56	284[7]	96%[15]	1,650	–	–	1972/1992
Wasaga Dunes	Wasaga Beach, ON	70	186	96%[15]	1,500	–	–	1965/2002
Pioneer	Peterborough, ON	85	314[8]	100%	2,050	–	125	1969/03/05
CountryLife	Wasaga Beach, ON	120	388[9]	100%	1,900	49	238	1967/04/05
Lonesome Pine	Bobcaygeon, ON	88	254[10]	100%	1,700	–	165	1972
Goreski	Port Perry, ON	123	504[11]	100%	2,000	–	86	1963
Bay Moorings	Penetanguishene, ON	49	331[12]	92%	2,400	–	200[12]	1976
Bay Port	Midland, ON	38	586[13]	85%	3,390	–	–	1992/1998
Our Ponderosa	Grand Bend, ON	126	371	[18]	1,900	–	100	1970
M & K Beaver Resort	Omemee, ON	49	385[16]	[18]	1,970	–	–	1960
Bailey's Bay Resort	Peterborough, ON	82	298[17]	[18]	2,400	–	100	1970
Total Recreational Properties		**1,056**	**4,182**			**49**	**1,149**	
TOTAL		**3,070**	**9,517**			**386**	**3,740**	

(1) Operational Sites are those Sites within the portfolio that have been leased to a resident at least once. The portfolio also contains Developed Sites brought on stream as part of the expansion program, which require varying lead times to lease-up.
(2) Average Rental Rate for Communities is the monthly rental rate per Operational Site. Cost recoveries from residents are not included. The Average Rental Rate for Parkbridge Resorts is the annual seasonal charge per site excluding all cost recoveries from residents.
(3) Klondike/Hometown are two separate properties but are managed as one. 130 sites are residential sites. Preliminary plans are in place to convert the 195 resort sites to approximately 100 residential sites.
(4) Includes 168 seniors apartment units.
(5) Includes 120-bed retirement home.
(6) Includes 38 residential sites. Expansion sites are all residential sites.
(7) Property has 50 year round sites.
(8) Property also has 156 boat slips.
(9) Property accommodates year round usage.
(10) Property also has 182 boat slips.
(11) Property also has 408 boat slips.
(12) Property consists of a full service marina with 331 large boat slips and capacity to develop a 200-site Community.
(13) Property consists of a full service marina with 586 large boat slips.
(14) Albion Sun Vista and Albion Woods are 75% owned by Parkbridge.
(15) Approximately 10% of Sites are designed for overnight stays. Overnight occupancy averages approximately 60% for the entire season taking into account the prime and low seasons. Consequently, the overall occupancy of 96% typically represents the maximum capacity of properties with an overnight component.
(16) Property also has 109 boat slips.
(17) Property also has 124 boat slips.
(18) The resort property was acquired in late 2005 and 2006 will be the first operating year under Parkbridge's ownership.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Certain statements in this report may contain forward-looking information. Such forward-looking information involve risks, uncertainties and other factors which may cause actual results, performance or achievements of Parkbridge Lifestyle Communities Inc. ("Parkbridge" or "the Corporation") (formerly B-For-G Capital Inc.) to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information.

The following management's discussion and analysis of the financial condition and results of operations of Parkbridge has been prepared by management and should be read in conjunction with the consolidated financial statements of Parkbridge as at and for the year ended September 30, 2005. Additional information is available on SEDAR's web site at www.sedar.com. The date of this MD&A is December 15, 2005.

BUSINESS OVERVIEW

On December 23, 2004, the Corporation completed its reorganization with the exchange of all of the units of Parkbridge 2003 Limited Partnership ("the Partnership") for aggregate consideration of $103 million paid by cash, common and non-voting shares of the Corporation. The Partnership was considered the continuing entity for accounting purposes. Therefore the financial results reported are the historical results of the Partnership for the year ended September 30, 2005, combined with the results of B-For-G Capital Inc. ("B-For-G") since the date of closing the transaction, being December 23, 2004. In connection with the reorganization, the Corporation raised approximately $42 million in gross proceeds through a private placement subscribed to, in large part, by institutional investors.

As B-For-G's year end was September 30, the Corporation has adopted that as its year end as opposed to December 31 which was the year end of the Partnership. As a result the comparatives presented only reflect nine months of results.

Parkbridge is Canada's leading owner, operator and developer of land lease residential Communities ("Communities") and seasonal recreational resorts ("Resorts"), holding, as of September 30, 2005, a portfolio of 36 Communities and Resorts with 7,726 sites and expansion capacity to add approximately 3,200 sites. Parkbridge's assets are presently concentrated in Alberta and southwestern Ontario.

Communities and Resorts are comprehensive developments, designed and improved for the placement of single-family homes, or recreational homes or vehicles.

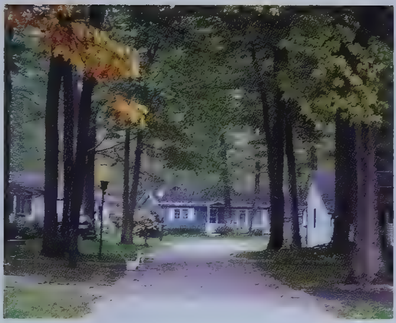
Communities and Resorts share common characteristics such as:

- The property owner leases a site to a resident upon which the resident locates his residential home or recreational dwelling, which is owned by the resident;
- A strong sense of community is developed due to the range of common services, activities and amenities offered, and neighbours of similar age and interests; and
- Rents are established at levels which offer sound value and affordability to the average consumer.

Communities

Communities are residential communities designed and improved for the placement of detached, single-family homes that are factory constructed and installed on sites within the community. Communities are based on a land lease concept in which the owner of each home leases the site on which his home is located from the owner of the Community. Residents usually enhance their homes by adding porches and garages and, unlike most apartment tenants, have a long-term stake in the property because the resident owns the residential home. Services such as sewer and water are provided either by the local municipalities or by on-site facilities maintained by the owners of the Community.

Once established, well-managed Communities generally maintain a high occupancy level, providing stable and increasing cash flows. Turnover of residents is usually low, generally in the range of 5% - 10% per annum. Most homeowners that move out of a Community sell their home, which remains on the site. The buyer enters into a new lease with the owner of the Community and becomes a new resident. Most leases are on a monthly or yearly basis (though some extend to 99 years) with renewal options and rental adjustments made annually.



Each Community is generally designed to attract, and is marketed to, retirees, empty nesters, families and first-time homeowners. Many lifestyle-oriented Communities provide services and amenities directed at empty nesters or retirees, such as recreation centres, tennis courts, golf courses, bridge clubs, shuffleboard, laundry facilities, maintenance and security. These types of services, activities and amenities help foster a sense of community. Community rules and regulations govern residents' activities and restrict practices that devalue and reduce enjoyment of the Community.

Designed and fabricated under controlled, factory conditions, product quality of manufactured homes is high, and costs are relatively low compared to site-built homes. Design and construction of these homes are governed by strict regulatory standards and match the building codes of the jurisdictions in which they are located. Amenities such as fireplaces, whirlpool tubs, sunken living rooms and bay windows are common.

Community ownership is a large, established industry in the United States. Parkbridge estimates that there are more than 7,500 investment grade communities in the United States. In Canada, Parkbridge estimates that there are 300 to 400 investment grade communities with large concentrations in Alberta, British Columbia and Ontario. The term investment grade typically refers to communities with 100 sites or more and a good infrastructure.

Resorts

Resort ownership is a well-established business in Canada. In Ontario, there are approximately 1,200 private Resorts with a total of 110,000 sites. Approximately 80% of the private Resort sites are rented by the season to owners of recreational vehicles (automotive or marine) ("RV") or park models. In South Georgian Bay, Ontario, there are several deep water marinas with over 2,600 boat slips. Marinas are an extension of resort properties and the primary operations are very similar to RV resorts The initial service provided to the customer is the rental of a location from which the customer is given the opportunity to experience enjoyable and affordable use of his or her recreational unit.

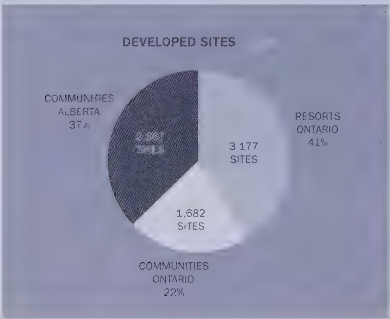
Most Resorts cater to families, active adults and retirees who place used (generally valued between $10,000 and $25,000) or new (generally valued between $25,000 and $60,000) recreational units on a site for the season. In the case of marinas, the value of the recreational unit is higher, typically in the $50,000 to $500,000 range. Repeat business is high, with turnover among seasonal users generally between 5% - 10%. The season typically runs from mid-May to early October, with recreational units normally staying on a site year round. Typically, 10% of Parkbridge's Resort sites are reserved for overnight/transient use as a means of continuously exposing the resort and maintaining a constant demand for seasonal resort sites.

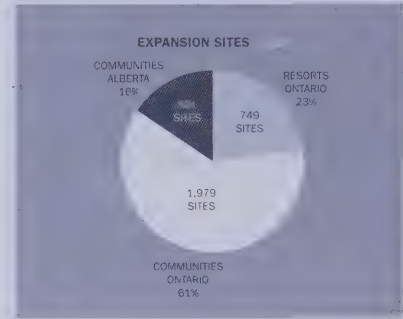
Generally, once a recreational unit (other than in the case of marinas) is placed on a resort site, it never moves unless it is replaced with a newer unit. The aim is for tenants to view the recreational dwelling as mini-cottages and become long-term stakeholders in the resort enhancing cash flow stability with little or no interruption in rental payments.

The number of seasonal Resorts is decreasing as Resorts are converted to other higher margin uses, while at the same time, demand for seasonal Resorts is increasing as more people seek affordable recreational vacation experiences.

PORTFOLIO OF PROPERTIES

Parkbridge's properties are located in geographic areas exhibiting economic fundamentals that meet Parkbridge's criteria for investment. All of the properties in the portfolio are in Alberta and southern Ontario which are two of the stronger economic regions in Canada. The geographic composition of the portfolio as at September 30, 2005 is as follows:





The property portfolio is anchored by the mature Communities in Alberta which provide a proportionately larger share of operating income as rents are generally higher than those in Ontario. Significant growth comes from the lifestyle oriented Communities in Ontario catering to retirees and empty nesters, as a large number are in the expansion and development phase.

The Corporation's Resorts are generally located within two hours of Toronto with waterfront or easy lake access. The Corporation's resort property income is derived from site rentals to RV owners, boat slip rentals to pleasure craft owners and income from miscellaneous services provided.

Leases

The majority of Parkbridge's Communities and Resorts are leased to fulltime residents or to those seeking seasonal recreational or vacation sites. Any significant vacancies usually result from the "leads and lags" associated with the timing of preparing new expansion sites and initially leasing the sites and placing new units thereon.

Lease terms vary significantly among Communities and Resorts. Most leases in Parkbridge's Communities are on a month-to-month or year-to-year basis and provide for ongoing renewals provided that rental payments are not in arrears and the resident adheres to the rules and regulations of the Community. In Ontario, leases in newer projects generally provide for longer lease terms (i.e. 20 to 99 years plus renewals) with annual rent adjustments and the pass-through of operating costs, utilities and property taxes. Most jurisdictions have legislation which sets out the rights and obligations of tenants and landlords. In those provinces where rent controls are in effect, rental rate increases are prescribed annually (subject to additional increases which effectively allow for the recovery of certain capital improvements). Currently, Communities in Ontario developed pre-1992 are subject to rent controls whereas those developed after 1991 and Communities in Alberta are not subject to rent controls. Of Parkbridge's portfolio, only 1,325 sites are subject to rent controls.

Most leases for Parkbridge's Resort sites are on a seasonal basis which typically entitle the resident to occupy a Resort site year-round although the operational use is limited to the six month period from mid-May to mid-October. Parkbridge's Resort sites are generally metered to allow for the pass-through of utility charges. Generally, rents for Resort sites are adjusted annually and dictated by market forces. Rent controls and landlord/tenant acts are not applicable to Resorts.

GROWTH STRATEGY

Parkbridge's principal objective is to create Canada's foremost vehicle for the ownership, operation and development of Communities and Resorts, while at the same time seeking out niche opportunities in the seniors housing facilities industry. The growth strategy includes generating growth internally, through the implementation of detailed operating plans for each property directed at improving returns and maximizing each property's expansion potential, as well as externally, through acquisitions. During the year ended September 30, 2005 Parkbridge developed 154 sites and leased 126 of newly developed sites. At September 30, 2005, Parkbridge has 400 developed sites available for lease of which 38 sites have lease and sales contracts in place at September 30, 2005. Expansion programs at 13 of Parkbridge's properties are now being undertaken on a phased basis and are expected to bring over 1,200 newly developed sites on stream over the next three years.

The Corporation completed the acquisition of fifteen properties during the year ended September 30, 2005 at a total acquisition cost of $50.1 million, adding 916 Community sites, 1,421 Resort sites, and capacity to add 791 sites to its portfolio.

Parkbridge has also entered into purchase and sale agreements to acquire, subsequent to September 30, 2005, seven Communities (1,123 sites) and three Resorts (1,054 sites, expandable to approximately 1,250 sites) for a total cost of approximately $43.8 million. Seven of these acquisitions have been completed, (four Communities and three Resorts) while the remaining three are expected to be competed by early January 2006. When these acquisitions are completed, a total of twenty-five properties containing 2,031 Community sites and 2,484 Resort sites will have been acquired, representing an 86% increase in our portfolio from

September 30, 2004. Acquisitions have been funded from available cash resources derived from operations, the $42 million equity issue completed in December of 2004 and through a mix of long and shorter term financing from commercial lending sources.

The Corporation plans to continue consolidating the ownership of land lease communities in Canada and supplement its growth by completing further acquisitions. As Parkbridge utilizes stringent investment criteria, including geographic location, minimum return hurdles and future upside potential, there is no assurance as to the number of properties the Corporation can acquire in the future that meet these criteria.

REVIEW OF OPERATIONS

Operating Segments

Parkbridge generates income from two primary operating sources, rental operations from occupied sites within its Communities and Resorts and new homes sales operations. The sales income is derived primarily from the sale of new homes or RV's on newly developed expansion sites, although some income is generated from brokerage and resale operations. The sale of new homes is the principal driver in leasing expansion sites brought on stream through the development process. Unlike typical housing operations, Parkbridge retains the ownership of the land, thereby retaining a significant income stream beyond the sale of the home or RV. Parkbridge's extensive expansion program spans a seven to 10 year time horizon which Parkbridge expects will result in significant new home sales income and a large number of newly leased sites being brought on stream each year.

Income from Operations

The following information highlights the operating results of the Communities and Resorts.

	Year ended September 30	Nine Months ended September 30
COMMUNITIES	**2005**	2004
Average number of developed sites	**3,893**	3,518
($000's)		
Rental and other property income	**15,531**	9,898
Property operating expenses	**5,356**	3,172
Income from property operations	**10,175**	6,726
Home Sales, net	**1,822**	878
Income from Operations	**11,997**	7,604

The increase in income from property operations of $3.4 million for the year ended September 30, 2005 as compared to nine months ended September 30 2004, or 51% (a 14.6% increase over the $8.9 million of income from property operations for the twelve months ended September 30, 2004), reflects internally generated growth and contributions from the acquisition of 916 developed Community sites, the majority of which were acquired in the Corporation's third fiscal quarter.

Lease up of expansion sites is driven by new home sales which increased to 71 in the year ended September 30, 2005 (36 sales for the three months ended September 30, 2005). During the nine month period ended September 30, 2004, the Corporation completed 59 home sales (32 sales for the three months ended September 30, 2004). The startup of several new expansion projects in our eastern lifestyle communities was the main reason for the increase in home sales. Home sales operations are seasonal in nature with significantly more closings in the third and fourth quarters of each fiscal year. In lifestyle communities, many of these homes are pre-sold and custom built in factories, then finished on site. As a result, inventory levels rise in the months preceding the periods when sales are completed.

	Year ended September 30	Nine Months ended September 30
RESORTS	**2005**	2004
Average number of developed sites	**2,712**	1,652
($000's)		
Rental and other property revenue	**10,128**	2,801
Property operating expenses	**6,085**	1,253
Income from Property operations	**4,043**	1,548
Home sales, net	**637**	371
Income from operations	**4,680**	1,919

Resort revenues increased substantially in the year ended September 30, 2005 over the nine months ended September 30, 2004. The acquisition of the three Resorts with 1,421 sites contributed $2.3 million in income from operations. One of these properties has a significant marina operation in place and expansion capacity for the development of a 200 site lifestyle community. Another is one of the largest marina operations in South Georgian Bay. Marina operations have a greater amount of service operations and associated parts sales which generate lower margins. This is the reason why operating margins on property operations declined

to 40% from 55%. If the sales and service component of the Marinas operations were reported on a net basis, operating margins from Resort operations would be 50% for the year ended September 30, 2005 as compared to 55% for the nine months ended September 30, 2004.

During the year ended September 30, 2005, the Corporation sold 45 new cottages or RV units to new tenants generating $637,000 in income from home sales as compared to $371,000 in the nine month period ended September 30, 2004. The Country Life property was the main contributor to this increase, accounting for over 75% of the sales volume. Presently, Parkbridge has 49 developed sites completed on that property and 20 sales contracts in hand at September 30, 2005.

Interest Expense

Interest expense increased to $3.8 million for the year ended September 30, 2005 from $2.4 million for the nine months ended September 30, 2004. The increase is due to additional financing secured by properties acquired in the latter part of 2004 along with the refinancing of Parkland Village. At the end of June 2005, the Corporation repaid the $12.5 million variable rate mortgage on Parkland Village by funding a $20 million fixed rate mortgage with a five year term. The increase in interest expense was offset partially by the capitalization of interest costs incurred on funding development projects included in our expansion programs. Parkbridge only capitalizes interest costs incurred in respect of its ongoing expansion programs and does not capitalize interest costs related to land holdings. The Corporation ceases to capitalize interest costs on the earlier of the lease up of the site or the lapse of eighteen months to two years from the time of completion of development of the site. The weighted average interest rate on debt outstanding for the year ended September 30, 2005 was 6.10% (6.51% for the nine months ended September 30, 2004).

Funds from Operations

Management utilizes a measure called Funds From Operations ("FFO") to assess and evaluate its return on each of its projects as well as the performance of the enterprise as a whole. Although FFO is a generally accepted measure of operating performance of real estate enterprises, it does not have a standardized meaning prescribed by generally accepted accounting principles ("GAAP"), and therefore may not be comparable to similar measures presented by other issuers. Parkbridge defines FFO as being net income for the year before depreciation on capital assets, stock-based compensation expense, future income tax expense and deferred credits in income tax expense. Users should be cautioned that this measure should not be construed as an alternative to net income.

Funds From Operations of $10.4 million for the twelve months ended September 30, 2005 was an increase of 81% when compared to the $5.7 million reported for the nine months ended September 30, 2004. FFO for the twelve months ended September 30, 2004 totaled $7.1 million, therefore the increase on an annualized basis was 46%. Internal growth resulting from our expansion program and rent increases accounted for 14% of the increase whereas the remaining 32% is primarily the result of the acquisitions completed during the twelve months ended September 30, 2005.

Other Expenses

Other expenses, excluding interest, was $8.4 million for the year ended September 30, 2005 an increase of $0.7 million (a 9.1% increase) from $7.7 million for the nine months ended September 30, 2004. Asset management expenses were incurred at about the same rate on an annualized basis as in 2004 as costs that pertain to acquisitions and development are capitalized. Depreciation expense was significantly higher due to the number of acquisitions during the year. Unit-based compensation expense was higher in 2004 since one of the incentive plans, the Contingent Incentive Plan, became fully vested on July 1, 2004 and therefore was expensed in its entirety by such time.

The Corporation continues to recognize as an expense, the obligations of the Partnership pertaining to unit-based compensation plans in existence at December 23, 2004. Unit-based compensation plans that existed at the time of the acquisition of the partnership will be fully expensed by July 1, 2006.

Capital Resources and Liquidity

As at September 30, 2005 Parkbridge had cash resources of $3.3 million on hand, $15 million in bank lines of credit of which $5.8 million are utilized, and $0.7 million of undrawn inventory financing facilities.

Subsequent to September 30, 2005 Parkbridge raised an additional $8.75 million by arranging long term financing on two of its properties and has arranged a further $9.8 million by refinancing one of its properties through a defeasance transaction. The Corporation also assumed $6.3 million of debt related to acquisitions which were completed subsequent to the year end. In addition, Parkbridge increased its bank facilities to $54 million from the $15 million in place at September 30, 2005. The facilities are revolving in nature and used to temporarily fund operating requirements and acquisitions.

A summary of the Corporation's contractual obligations at September 30, 2005 is as follows (in $000's):

Fiscal Year	Principal Repayment Required on Secured Debt	Acquisitions	Other Purchase Obligations	Total Contractual Obligations
2006	3,969	37,500[1]	7,716[2]	49,185
2007	3,314	–[1]	9,050[2][3]	13,364
2008	12,869	–	–	12,869
2009	4,357	–	–	4,357
2010	24,928	–	–	24,928
Thereafter	21,758	–	–	21,758
	71,195	37,500	16,766	125,461

(1) Represents binding commitment pursuant to purchase and sale agreement.
(2) Approximately $1.9 million represents commitments to purchase manufactured homes from suppliers and $971,000 of contractual commitments under development projects, with the balance pertaining to obligations under management contracts.
(3) Includes the buyout of the Management contract with the Manager. This contract can be terminated on December 31, 2006 by making a payment equal to two times the annual fees based upon the last quarter subject to a maximum payment of $8 million. Concurrent with the buyout of the Management contract, shareholder loans in the original principal amount of $5 million become repayable.

Parkbridge has historically generated sufficient free cash flow from its operations to satisfy its operating expenditures and capital improvement costs, and anticipates having sufficient cash resources and debt financing capacity to not only meet these obligations but also the objectives of its current business plan. The Company is continuing to arrange long term financing on properties which it has not financed to date and expects to generate funds from these sources in the near future.

Outlook

The year ended September 30, 2005 has been a period of significant change structurally for the corporation and good progress has been made in advancing its growth strategy.

Management anticipates the 2006 year to show continued growth through; (i) rent increases for the 2006 year which are expected to average 4%; (ii) the expected lease up of an estimated 300 expansion sites coupled with the expected concurrent sale of a similar number of new homes; and (iii) additional revenues generated from those properties acquired in late 2005 and subsequent to Parkbridge's 2005 fiscal year end. Management believes the contributions from these sources should generate growth in Funds from Operations in the range of 30% to 35%. Any new properties acquired in 2006 should serve to improve near and long term results.

RISKS AND UNCERTAINTIES

In addition to other risks and uncertainties the operation of Parkbridge's business is subject to the following risks, each of which should be carefully considered by the reader of this information.

Dependence on Key Personnel

The success of Parkbridge will be largely dependent upon the quality of its management and personnel. Loss of the services of such persons, or the inability to attract personnel of equal ability, could materially affect Parkbridge's business operations and prospects. Parkbridge has not, as yet, purchased "key man" insurance on any of its directors, officers or key employees, and has no current plans to do so.

Real Estate Industry

All real estate investments are subject to varying degrees of risk depending on the nature of the property in question. The value of Parkbridge's investments in its properties is subject to changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as the over supply of real estate product or a reduction in demand for sites in any particular area), attractiveness of such properties to current and potential residents, competition from others with similar developments and the ability of Parkbridge to adequately maintain and improve its properties pursuant to its business plan at an economic cost. Parkbridge may be unable to obtain financing to maintain an appropriate capital structure. There is no certainty that financing will be available upon the maturity of any existing mortgage at interest rates equal to or lower than the interest rate payable under an expiring mortgage, or at all.

Zoning and Approvals

Future acquisitions may require zoning and other approvals from local government agencies. The process of obtaining such approvals is increasingly difficult, and may take months or years and there can be no assurance that the necessary approvals for any particular project will be obtained. Holding costs accrue while regulatory approvals are being sought, and delays could render future acquisitions uneconomic.

Demand Risk

The value of real property and any improvements thereon may depend on the strength of the real estate market in Parkbridge's target markets. Parkbridge's projected income may be adversely affected if there was a marked increase in the current vacancy rates, or decrease in the market rental rates for sites in the target markets or if Parkbridge was unable to continue to lease a significant number of sites on economically favourable lease terms. In the event of default by a resident, Parkbridge may experience delays in enforcing its rights as lessor and may incur costs in protecting its investment. The ability of Parkbridge to lease unleased sites will be affected

by many factors. The failure of Parkbridge to lease unleased sites on a timely basis or at all would likely have an adverse effect on Parkbridge's growth expectations.

Rent Control

Parkbridge is subject to provincial legislation in certain of the identified target markets which may restrict the ability of a landlord to increase lease amounts charged to residents. As a result, no assurance can be given that Parkbridge will be able to adjust the lease payments charged to residents as management would do if unaffected by such legislation. The inability to increase lease payments to reflect market conditions may have an adverse effect on Parkbridge's operating prospects.

Economic Conditions

Parkbridge's business is dependent on rental income for a substantial portion of its revenue and operating results are sensitive to prevailing economic conditions, including changes in regional and national economic conditions, particularly as they may affect rental rates in its Properties. Parkbridge's operating results in individual markets could be adversely affected by local or regional economic downturns which could have a material adverse effect on the business, financial condition and operating prospects of Parkbridge.

Competition for Real Estate Investments

Parkbridge competes for suitable real estate investments with individuals, corporations and institutions (both Canadian and foreign) which are currently seeking or which may in the future seek real estate investments similar to those sought by Parkbridge. Some of these investors may have greater financial resources than those of Parkbridge. An increase in the availability of investment funds, and an increase in interest in real estate investments, would tend to increase competition for real estate investments, thereby increasing purchase prices and reducing yields therefrom. In addition, Parkbridge may require additional financing to complete future real estate acquisitions which may not be available on terms acceptable to it.

Tax Risk

As at September 30, 2005 Parkbridge has $54.6 million of non-capital losses available for utilization to reduce future taxable income. These losses are due to expire, if not utilized, at various times between 2006 and 2014. In additional the Corporation has $40.3 million of capital losses available to reduce any taxable income resulting from capital gains arising on property dispositions, should these occur. These losses have not been audited by the income tax authorities.

Management of Growth

Parkbridge may be subject to growth-related risks including capacity constraints and pressure on internal systems and controls. The ability of Parkbridge to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Parkbridge to deal with this growth could have a material adverse effect on the business, financial condition, operations and operating prospects of Parkbridge.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Corporation has disclosed its significant accounting policies in its financial statements for the year ended September 30, 2005. The reader should read this analysis along with the interim financial statements, which are incorporated herein by references.

Accounting for Business Combinations

Management has determined that generally accepted accounting principles require the transactions concluded between the management group of the Partnership, the unitholders of the Partnership, and the Corporation to be accounted for on the continuity of interests basis. Under this method, the Partnership is considered to be the continuing entity and the net assets of B-For-G are deemed to have been acquired by that entity. Therefore, the historical financial statements and the underlying historical costs of the assets and liabilities presented are of the Partnership. If B-For-G had been determined to be the continuing entity for accounting purposes, the purchase method of accounting would have applied and the assets and liabilities of the Partnership would be recorded in the accounts of the Corporation at their deemed values at the date of acquisition being December 23, 2004 and the operating results and cash flows of the Partnership would only have been reported since that date. Under the purchase method of accounting, the balance sheet of the Corporation would have reported as at September 30, 2005, approximately $66 million more in the book cost of real estate with a corresponding increase in the capital stock. The operating statements reported would have been significantly different as well, as the Partnership's results would only be reflected for the period since December 23, 2004. Revenues for the 9 month and 8 day period from December 23, to September 30, 2005 would have amounted to approximately $20.1 million for rental operations and approximately $11.1 million for home sales operations. All items of expense would have similarly been affected such that net income for the twelve months September 30, 2005 would have been approximately $3.7 million. The loss for the comparable year ended September 30, 2005 would have been $0.3 million, which was the loss reported by B-For-G in its financial statements for the year ended September 30, 2004.

Depreciation

Management has estimated the useful life of the infrastructure of new income producing properties as having a fifty year life. Should the economic and other assumptions used in arriving at these estimates change it could result in a significant change to the depreciation recorded in the accounts and thus could significantly impact the net income of the Corporation.

Capitalization

The Corporation capitalizes interest costs on monies borrowed to fund its development expenditures and general and administration costs associated with development and acquisition activities. The allocation of general and administrative costs is based on estimates of time spent by employees on the related activities.

Net Recoverable Amounts

Management estimates the net recoverable amounts from its properties on a quarterly basis to determine if impairment in value in any property has occurred. The net recoverable amount is estimated as being the undiscounted future cash flows expected to be received from the ongoing use of the property plus its residual value. Should the economic and other assumptions used in arriving at these estimates change a write-down in a property's value may be required, thus causing a decrease in net income. To date no such write-down has been required.

New Accounting Developments

New accounting standards have been established for the effect of contingently convertible instruments on the computation of diluted earnings per share and new developments are anticipated regarding the accounting for business combinations. The standards for contingently convertible instruments would have no impact on the Corporation's financial disclosure. The proposed standards regarding business combinations may result in the Corporations earnings during periods of acquisitions being reduced as the proposed accounting standards would require the expensing of acquisition costs (such as legal costs) in connection with a business combination in the period in which they are incurred. Those costs are currently allocated to the cost of the assets acquired under a business combination and then amortized along with the other costs of the asset, if so amortized.

OUTSTANDING SHARE DATA

As of December 15, 2005 the Corporation has 22,128,420 common shares and 27,800,664 non-voting shares issued and outstanding. These amounts include 474,000 common shares and 1,181,630 non-voting shares which were purchased with loans from the Corporation by three officers, and serve as security for the loans as discussed in Notes 12 and 14 of the consolidated financial statements. As of the same date, the Corporation had outstanding obligations under management incentive plans which require the issue of 4,851,270 non-voting shares, and options and warrants, that if exercised, would result in the further issuance of 522,792 common shares and 5,500,000 non-voting shares. The management incentive plans and stock options are all subject to certain vesting requirements as explained in Notes 12 and 14 of the financial statements as at September 30, 2005.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected financial information should be read in conjunction with "Management's Discussion and Analysis", the consolidated financial statements of the Partnership and accompanying notes for the year ended December 31, 2003, and the consolidated financial statements of the Corporation and accompanying notes for the year ended September 30, 2005 and nine months ended September 30, 2004, all of which are incorporated herein by reference. The financial statements for the year ended December 31, 2003 were included in the Corporation's November 22, 2004 information circular filed on SEDAR.

ANNUAL INFORMATION

($000's)	Total Revenue	FFO	Net Income (Loss)	Total Assets	Secured Debt	Dividends
Year ended September 30, 2005	41,976	10,430	3,401	194,221	71,195	–
Twelve Months ended September 30, 2004 (Unaudited)	28,895	7,102	(1,517)	115,510	53,419	–
Nine Months ended September 30, 2004	22,031	5,591	(962)	115,510	53,419	–
Year ended December 31, 2003	21,817	5,509	1,011	108,856	51,997	–

QUARTERLY COMPARATIVE

($000'S except per share amounts)	Total Revenue	FFO	Net Income (Loss)	FFO Per Share Basic	FFO Per Share Diluted	Net Income (Loss) Per Share Basic	Net Income (Loss) Per Share Diluted
(Unaudited) Three Month Period Ended:							
September 30, 2005	13,548	2,714	1,146	0.056	0.050	0.028	0.024
June 30, 2005	14,948	4,461	2,249	0.092	0.082	0.047	0.042
March 31, 2005	6,308	1,742	(68)	0.036	0.034	(0.002)	(0.002)
December 31, 2004	7,172	1,513	55	0.039	0.034	0.002	0.001
September 30, 2004	9,404	2,025	(512)	0.060	0.053	(0.015)	(0.015)
June 30, 2004	7,101	1,940	(220)	0.057	0.051	(0.006)	(0.006)
March 31, 2004	5,526	1,626	(230)	0.048	0.043	(0.007)	(0.007)
December 31, 2003	6,912	1,511	(555)	0.045	0.040	(0.016)	(0.016)

Historical results reflect the growth of the Corporation over the last two years and illustrate the seasonality of a component of its operations. Resort operations are seasonal in nature with large portions of income earned in the third and fourth quarters of each fiscal year. Home sales activity has historically been strongest in the fourth quarter of each fiscal year of the Corporation and weaker during the winter months. These factors contribute to quarterly fluctuations in results. The results for the year ended December 31, 2003, include depreciation on capital assets based upon the sinking fund method as the Partnership changes its accounting method on a prospective basis January 1, 2004. Had the change been made on January 1, 2003, the net income for the year ended December 31, 2003 would have been reduced by approximately $700,000.

FORWARD LOOKING STATEMENTS

This discussion contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. The forward-looking statements are statements that involve risks and uncertainties, including, but not limited to, changes in demand for home and recreational site rentals, the effects of economic conditions, the impact of competition and competitive pricing, the effects of Parkbridge's accounting policies and other matters detailed in Parkbridge's filings with Canadian securities regulators available in SEDAR in Canada and by request through the Securities and Exchange Commission in the United States. Because of these risks and uncertainties, the results, expectations, achievements, or performance described in this report may be different from those currently anticipated by Parkbridge.

Sincerely,

PARKBRIDGE LIFESTYLE COMMUNITIES INC.

Glenn F. McCowan, C.A.
Vice President, Finance and Chief Financial Officer

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Parkbridge Lifestyle Communities Inc. have been prepared by management and approved by the Board of Directors of the Corporation. Management is responsible for the information and representations contained in these financial statements and other sections of this Annual Report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

To assist management in discharging these responsibilities, the Company maintains a system of internal controls that is designed to provide management with reasonable assurance regarding the reliability of financial reporting.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee composed of independent directors. The Committee meets with the independent auditors (who have direct access to the Audit Committee, independent of management) and with management to satisfy itself that each group is properly discharging its responsibilities and to review the consolidated financial statements and management's discussion and analysis. The Audit Committee reports its findings to the Board for consideration in approving the consolidated financial statements for issuance to the shareholders.

The Company's independent auditors, Deloitte & Touche LLP, have been appointed by the shareholders to express their professional opinion on the fairness of the consolidated financial statements. Their report is included below.

Joseph F. Killi
Chief Executive Officer
December 15, 2005

Glenn F. McCowan
Chief Financial Officer

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Parkbridge Lifestyle Communities Inc. as at September 30, 2005 and 2004 and the consolidated statements of operations, retained earnings, and cash flows for the year ended September 30, 2005 and the nine month period ended September 30, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2005 and 2004 and the results of its operations and its cash flows for the year ended September 30, 2005 and the nine months ended September 30, 2004 in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Calgary, Canada
December 9, 2005

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2005

($000's)	2005	2004
ASSETS		
Real estate (Note 5)	**175,109**	108,521
Cash, cash equivalents and restricted cash (Note 2)	**3,326**	–
Inventory (Note 6)	**8,277**	5,810
Other assets (Note 7)	**3,220**	1,179
Future income tax asset (Note 8)	**4,289**	–
	194,221	115,510
LIABILITIES		
Secured debt (Note 10)	**71,195**	53,419
Bank indebtedness (Note 9)	**5,783**	3,266
Accounts payable (Note 11)	**7,872**	3,860
Tenant security deposits and prepaid rents	**2,852**	1,094
Future income tax liability (Note 8)	**–**	8,979
Deferred credit (Note 8)	**15,527**	–
	103,229	70,618
SHAREHOLDERS' EQUITY		
Capital Stock (Note 12)	**75,465**	36,914
Contributed surplus (Note 14)	**12,126**	7,978
Retained Earnings (Note 13)	**3,401**	–
	90,992	44,892
	194,221	115,510

Committment and contingencies (Note 16)

APPROVED BY BOARD OF DIRECTORS

David Richards

Joseph Killi

CONSOLIDATED STATEMENTS OF INCOME

($000's)	Year ended September 30 2005	Nine Months ended September 30 2004
PROPERTY OPERATIONS		
Rental and other property revenues	**25,289**	12,422
Property operating expenses and taxes	**(11,441)**	(4,425)
Brokerage and resale income	**370**	277
Income from property operations	**14,218**	8,274
HOME SALES OPERATIONS		
Home sales revenue	**16,317**	9,332
Cost of home sales	**(12,962)**	(7,485)
Operating expenses	**(896)**	(598)
Income from home sales operations	**2,459**	1,249
INCOME FROM OPERATIONS BEFORE THE UNDERNOTED	**16,677**	9,523
OTHER EXPENSES		
Interest expense	**3,854**	2,429
Interest income	**(168)**	–
Asset management expenses (Note 16)	**1,940**	1,415
Depreciation and amortization	**2,436**	1,391
Stock-based compensation (Notes 12 and 14)	**4,013**	4,863
	12,075	10,098
INCOME (LOSS) BEFORE INCOME TAXES	**4,602**	(575)
PROVISION FOR INCOME TAXES		
Current	**563**	51
Future (Note 8)	**2,926**	336
Deferred credit (Note 8)	**(2,288)**	–
	1,201	387
NET INCOME (LOSS) AND RETAINED EARNINGS AT SEPTEMBER 30, 2005 (Note 13)	**3,401**	(962)
Income (loss) per share		
Basic	**.08**	(.03)
Diluted	**.07**	(.03)

CONSOLIDATED STATEMENTS OF CASH FLOW

($000's)	Year ended September 30 2005	Nine Months ended September 30 2004
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net income (loss) for the period	**3,401**	(962)
Adjustments for:		
Depreciation	**2,378**	1,354
Stock-based compensation	**4,013**	4,863
Future income taxes	**2,926**	336
Deferred Credit	**(2,288)**	–
	10,430	5,591
Inventory purchases	**(1,532)**	(1,279)
Amortization of deferred financing	**58**	37
Net change in non-cash operating balances	**2,550**	1,076
	11,506	5,425
FINANCING		
Issue of capital stock for cash, net of issue costs	**38,052**	–
Loans from partners (Note 15)	**13,675**	–
Loans repaid to partners (Note 15)	**(13,675)**	–
Distributions to partners (Note 12)	**(2,519)**	(4,457)
Financing proceeds	**29,267**	–
Deferred charges	**(45)**	–
Repayment of debt on real estate	**(15,604)**	(1,194)
	49,151	(5,651)
INVESTING		
Real estate acquisitions and deposits, net of debt assumed (Note 4)	**(46,322)**	(2,079)
Improvement and development of real estate	**(13,526)**	(5,973)
Increase in restricted cash	**(85)**	(34)
	(59,933)	(8,086)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**724**	(8,312)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD (Note 19)	**(3,727)**	4,585
CASH AND CASH EQUIVALENTS, END OF PERIOD (Note 19)	**(3,003)**	(3,727)
SUPPLEMENTARY INFORMATION		
Interest paid	**3,851**	2,429
Income and capital taxes paid	**148**	51

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended September 30, 2005 and Nine Months Ended September 30, 2004

1. DESCRIPTION OF THE BUSINESS AND ORGANIZATION OF PARKBRIDGE LIFESTYLE COMMUNITIES INC. (FORMERLY B-FOR-G CAPITAL INC.)

Description of the business

On December 23, 2004, B-For-G Capital Inc. ("B-For-G") changed its name to Parkbridge Lifestyle Communities Inc. ("Parkbridge" or the "Corporation") following the completion of a number of transactions including (i) entering into an option agreement to acquire all of the units of the Parkbridge 2003 Limited Partnership (the "Partnership") (ii) issuing shares pursuant to a $5 million subscription agreement to entities controlled by members of the senior management of the Partnership which resulted in these entities owning 36% of the common shares and 59% of the non-voting shares of B-For-G (iii) a $42 million private placement to new investors and (iv) the acquisition of all of the units of the Partnership for cash and shares pursuant to the option agreement. Prior to the completion of these transactions, B-For-G had disposed of substantially all of its assets and had satisfied its remaining obligations with the issuance of shares pursuant to a Plan of Arrangement that became effective on October 14, 2004. The year end of B-For-G was September 30.

In accordance with Canadian generally accepted accounting principles, the purchase method of accounting could not be applied to the transactions noted above as the continuing entity was considered to be the Partnership with it having acquired B-For-G Capital Inc. on December 23, 2004. Consequently, the financial statements at September 30, 2005 reflect the assets and liabilities of the Partnership on the basis of historical costs and its operations for the twelve month period commencing on October 1, 2004 and ending on September 30, 2005 combined with the operations of B-For-G since the date of acquisition. The year end of Parkbridge was previously December 31.

Parkbridge is in the business of acquiring, developing, owning and operating comprehensive residential ("Communities") and recreational ("Resorts") land lease properties. Parkbridge is focused on opportunities in Canada and as at September 30, 2005 owned a portfolio of 34 Communities and Resorts containing approximately 7,485 developed sites and with capacity to add more than 3,200 expansion sites.

The Community and Resort properties are owned by the Corporation and individual sites are leased to a resident upon which the resident locates a residential or recreational dwelling. Recreational dwellings include recreational vehicles, park model homes and cabins (collectively referred to as "RV" units). The Corporation has engaged the services of Parkbridge Communities Inc. (the "Manager") to provide all management services to the Corporation, including property management, asset management, acquisitions, dispositions, finance, development and all head office functions.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

In the opinion of management, these consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and include only the assets, liabilities, income and expenses relating to the operations of the Partnership and those of the Corporation since December 23, 2004. As B-For-G's year end was September 30, the Corporation has adopted that as its year end as opposed to December 31 which was the year end of the Partnership. As a result the comparatives presented only reflect nine months of results. Due to the seasonality of some of the properties acquired during the year ended September 30, 2005, the operating results for the year ended September 30, 2005 are not necessarily indicative of the results that may be expected for the next fiscal year.

All inter-company accounts and transactions have been eliminated on consolidation.

Cash and cash equivalents

Parkbridge considers highly liquid investments with an original maturity of three months or less to be cash equivalents. Included in cash and cash equivalents at September 30, 2005 is an amount of $545,986 (September 30, 2004 - $460,548) of restricted cash, representing funds on deposit from tenants for security deposits.

Inventory

Inventory, consisting of newly manufactured and pre-owned manufactured homes and RV units, is recorded at the lower of cost and net recoverable value, which represents the undiscounted estimated future cash flows expected to be generated from the sale of the inventory.

Income producing properties

Parkbridge capitalizes direct costs and general and administrative costs associated with the acquisition of properties as a cost of the asset acquired. Such costs are depreciated over the estimated useful life of the assets. Parkbridge allocates the purchase price of an acquisition to community infrastructure and land.

Income producing properties are recorded at the lower of cost less accumulated depreciation and net recoverable amount. Significant renovations and improvements that extend the useful life of an asset are capitalized and depreciated over the remaining useful life. The net recoverable amount represents the undiscounted estimated future cash flows expected to be received from the ongoing use of the property plus its residual value.

Parkbridge utilizes the straight-line method for amortization of its infrastructure assets over its estimated life, ranging from 25 to 50 years.

In 2004, the Corporation also adopted the recommendations of:

- Emerging Issues Committee ("EIC") 140 (accounting for operating leases acquired in either an asset acquisition or a business combination).
- EIC 137 (recognition of customer relationship intangible assets acquired in business combinations with respect to the purchase price allocation of income-producing properties).

Under these recommendations, the purchase price must be allocated to land, building and intangible assets (such as the value of above and below market leases, the value of in-place leases, origination costs associated with in-place leases and the value of tenant relationships, if any). The value of above and below market leases and origination costs associated with in-place leases are recorded and amortized to rental income over the remaining term of the associated lease. The value associated with the tenant relationships is amortized over the expected term of the relationship, which includes an estimate of the probability of the lease renewal and its estimated term.

Land under development and land held for development

Land under development and land held for development are carried at the lower of cost and net recoverable value. Costs include all amounts relating to the acquisition and improvement of the properties. Parkbridge also capitalizes direct and indirect costs to each property development project until commercial operation has been attained. Indirect costs include marketing and sales, employee salaries directly attributed to the development project, insurance, interest expense and other costs directly attributed to the project. General and administrative costs are allocated to acquisitions and development projects based on estimates of time spent by employees on the related activities. Upon completion of the development, the costs are reclassified to income producing properties and depreciated over the remaining useful life as discussed above.

Revenue recognition

Rental of home sites

Parkbridge generates income from the rental of home and RV sites. Revenue from the rental of sites is recognized when a tenant commences occupancy of a lot and rent, which is payable monthly, is earned under lease. Rents received in advance are deferred. Parkbridge retains all of the benefits and risks of ownership of its rental properties and therefore, accounts for its leases with its tenants as operating leases.

Sale of manufactured homes

Parkbridge generates income from the sale of newly manufactured homes and RV units, pre-owned homes situated on home sites owned by Parkbridge and re-sale of pre-owned RV units. Home sales are recognized when the title to the completed housing unit or RV unit is transferred to the purchaser and full payment is received.

Deferred financing costs

Deferred financing costs, which are included in other assets, are recorded at cost, net of accumulated amortization. Amortization is provided using the straight-line method over the term of the related debt.

Income taxes

Income taxes are accounted for using the liability method. Under this method, future income taxes of the Corporation are recognized for the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future income taxes are computed using substantively enacted corporate income tax rates for the years in which differences in tax and accounting basis are expected to reverse.

Stock-based compensation

The Partnership had unit-based compensation plans that have been converted to stock-based plans, which are described in Note 14. Further the Corporation has granted stock options to directors, officers, employees and consultants of the Manager.

The Corporation follows the recommendations of CICA Handbook Section 3870 with respect to the recognition, measurement and disclosure of equity based awards. Section 3870 requires equity based awards to be measured and recognized based on the fair value of the equity instruments. Fair value is measured on the grant date using the Black Scholes pricing model, except for stock appreciation rights ("SARs") and similar awards to be settled in cash or other assets, where fair value is measured as the amount by which the quoted market price exceeds the exercise price and is measured on an ongoing basis on each measurement date.

It was the Partnership's policy, when the unit-based compensation plans allow for settlement in cash or equity at the general partner's discretion, to settle the awards in equity rather than cash.

The Partnership granted direct awards of Partnership units and also participation rights relative to increases in the fair market value of the Partnership net asset value, to be settled in Partnership units, as described in Note 14. For direct awards of Partnership units where the number of Partnership units expected to be issued on settlement can be estimated by management, the Partnership has measured the fair value of the award at the grant date. For those participation rights where the number of Partnership units to be settled or issued could not be estimated, the Partnership measured the fair value of the awards annually, based on the increase in net asset value and the value of the Partnership units at each reporting date. As part of the acquisition of the Partnership Units the Corporation agreed to fix the value of the plans as described in Note 14. Compensation expense is recognized over the vesting period of the related award.

Parkbridge will account for actual forfeitures as they occur.

Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities at the date of the financial statements and revenue and expenses for the period reported. Actual results could differ from those estimates.

3. PARKBRIDGE 2003 LIMITED PARTNERSHIP AND B-FOR-G CAPITAL INC.

On December 23, 2004 the Corporation acquired all of the issued and outstanding units of the Parkbridge 2003 Limited Partnership. The acquisition was completed by making a cash payment of $1,000,000 and issuing 8,100,465 common shares and 25,790,021 non-voting shares (on a post consolidated share basis – see Note 12) at a deemed aggregate value of $103,349,164. Parkbridge Lifestyle Communities Inc. is considered to be a continuation of the Partnership following the continuity of interest accounting method under GAAP. The carrying values of the net assets are the carrying values of the Partnership at the date of the transaction plus the fair value of the B-For-G net assets, which had a fair value of $5,000,000. The future income tax liability of the Partnership is also adjusted to reflect the change to having the taxable income of the Partnership's directly owned assets tax affected within the organization versus taxed in the hands of its Partners outside the organization. This results in an increase in the future income tax liability of the Partnership of $3,152,000 and is charged to the opening Partners' equity, and thus share capital, at the date of the transaction. The cash portion of the price paid for the units is reflected as a distribution to the partners and thus a reduction in the Partners' equity. See Note 12(b).

4. PROPERTY ACQUISITIONS

During the twelve months ended September 30, 2005, Parkbridge acquired fifteen properties (nine months ended September 30, 2004 – two properties).

	Year ended September 30	Nine Months ended September 30
	2005	2004
Number of sites	**2,337**	232
($000's)		
Assets purchased		
Real estate, net of future income taxes	**49,896**	2,822
Working capital (deficiency)	**221**	(115)
	50,117	2,707
Consideration		
Cash paid for real estate assets, net of working capital	**38,292**	1,157
New financing	**11,825**	1,550
	50,117	2,707

5. REAL ESTATE

($000's)	As at September 30 2005	As at September 30 2004
Income producing properties		
Land	**53,325**	27,862
Infrastructure	**108,363**	77,346
Less: accumulated depreciation	**(5,794)**	(3,520)
	155,894	101,688
Land under development	**14,066**	2,366
Land held for development	**5,149**	4,467
	175,109	108,521

During the year ended September 30, 2005, Parkbridge capitalized indirect costs of $1,400,000 (nine months ended September 30, 2004 - $143,302). Included in this amount is $259,000 of interest costs capitalized during the year ended September 30, 2005 incurred in funding development expenditures (nine months ended September 30, 2004 - $nil) and $1,141,000 of general and administrative expenditures and other acquisition costs.

Income producing properties consists of land and related infrastructure pertaining to Communities and Resorts. The infrastructure consists of long-term assets such as sanitary sewer and storm water collection systems, potable water supply systems, roads, walkways and amenities including clubhouses, pools and marinas.

6. INVENTORY

Inventory includes manufactured homes and RV units held for sale in amounts as follows:

($000's)	September 30 2005	September 30 2004
New homes and RV units	**6,694**	5,423
Pre-owned homes and RV units	**633**	387
Marina Inventory	**929**	–
Other inventory	**21**	–
	8,277	5,810

7. OTHER ASSETS

($000's)	September 30 2005	September 30 2004
Note receivable from related party	**250**	250
Accounts receivable	**2,063**	144
Total receivables	**2,313**	394
Prepaid expenses	**540**	405
Deferred charges	**367**	380
	3,220	1,179

8. INCOME TAXES

Future income tax asset (liability) results from timing differences related to the following items

($000's)	September 30 2005	September 30 2004
Real estate assets	**(18,537)**	(8,993)
Loss carry forwards	**21,729**	14
Other	**1,098**	–
Future income tax asset (liability)	**4,290**	(8,979)
Deferred Credit	**15,527**	–

The deferred credit arises due to the recognition of the future income tax asset of B-For-G upon acquisition by Parkbridge. The total future tax asset, net of the income of the Partnership for the year ended September 30, 2004 reported by B-For-G for income tax purposes in fiscal 2005, acquired by Parkbridge was $22,646,630 but only had a fair value at the date of acquisition of $4,961,000 resulting in an initial deferred credit of $17,685,630. The income of the Corporation for the year ended September 30, 2005 will result in a future tax expense, from the utilization of the losses available, of $2,926,000 and recognition of $2,288,000 of the deferred

credit. The Corporation also has $40,298,000 of capital losses available for deduction against future capital gains. As the Corporation has no plans at this time for disposing of any of its properties, a valuation allowance has been provided on the tax benefit related to these losses of $7.1 million.

The Corporation's actual income tax expense differs from the expected income taxes based upon an effective tax rated of 35.4% as follows:

	Year ended September 30	Nine months ended September 30
($000's)	**2005**	2004
Expected income tax expense (revenue)	**1,630**	(204)
Impact of:		
Stock based compensation	**1,403**	1,722
Recognition of benefit of loss carry forwards not previously recognized	**(2,288)**	–
Large corporation and provincial capital taxes	**456**	51
Income of partnership not taxable at Partnership level (Note 12(b))	**–**	(1,182)
Actual income tax expense	**1,201**	387

9. BANK OPERATING FACILITY

Parkbridge has a $15,000,000 ($13,900,000 - September 30, 2004) credit facility payable on demand available for general operating purposes. This facility is secured by the assignment of certain land, infrastructure and leases having a carrying value at September 30, 2005 of $29,288,774 ($45,557,776 - September 30, 2004). Interest is charged at prime plus 1/2%. $5.8 million was drawn on this facility as of September 30, 2005 (September 30, 2004 - $5.7 million). At September 30, 2005, the Corporation had outstanding letters of credit in the amount of $1.5 million. The letters of credit are issued as security for performance of certain development projects.

10. SECURED DEBT

	September 30	September 30
($000's)	**2005**	2004
Mortgages payable amortized over 15 - 18 years with interest being charged at the varying spreads above prime (Weighted average interest rate at September 30, 2005 – 6.89%; September 30, 2004 - 5.5%)	**1,026**	12,110
Mortgages payable amortized over nil to 25 years at fixed interest rates varying from 4.5% to 7.9% (September 30, 2004 – 5.0% to 7.9%)	**67,200**	38,842
Local improvement bonds amortized over 10 to 17 years at fixed interest rates varying from 5.4% to 6.0% (September 30, 2004 – 5.9% to 6.3%)	**1,138**	668
Inventory financing	**1,792**	1,730
Equipment and other loans	**39**	69
	71,195	53,419

The fair value of the long-term debt is $73,688,780 as at September 30, 2005 ($55,028,175 – September 30, 2004). Debt is secured by assignments and charges of land, infrastructure and leases. Certain mortgages do not require amortization of principal (September 30, 2005 - $14,096,000; September 30, 2004 - $11,850,000).

Inventory financing is secured by homes held in inventory. Interest is charged at prime plus 1%, and all amounts outstanding are due as related inventory is sold.

Principal payments on secured debt due within each of the next five fiscal periods ending September 30 are:

	($000's)
2006	3,969
2007	3,314
2008	12,869
2009	4,357
2010	24,928
Thereafter	21,758
	71,195

11. ACCOUNTS PAYABLE

($000's)	September 30 **2005**	September 30 2004
Accounts payable	**6,587**	2,076
Customer sales deposits	**477**	784
Other accounts payable (see below)	**808**	1,000
	7,872	3,860

In 2003, the Partnership acquired an 87% interest in Canadian Rocky Mountain Properties Inc. ("CRMP"), whose principal asset is the Evergreen Community in Edmonton, Alberta, a property containing 696 homes. Subject to a plan of arrangement (the "Plan") initiated on December 29, 2003 and approved on January 30, 2004, Parkbridge acquired the remaining 13% interest in CRMP. A shareholder owning less than 10% of the shares of CRMP exercised rights, granted under the Plan, to determine if a higher value should be paid for their shares. This action is currently subject to court proceedings. As at September 30, 2005 - $808,470 (September 30, 2004 - $1,000,000) has been recorded as a liability in accounts payable to cover potential settlement and related costs and 100% of the assets and liabilities of Canadian Rocky Mountain Properties Inc. have been recorded.

12. CAPITAL STOCK

(a) Change in authorized capital and reduction of stated capital

At the annual and special meeting of shareholders held on December 20, 2004, the Shareholders' agreed to amend the articles of the Corporation resulting in a change to the rights, privileges, restrictions and conditions attaching to the common shares and Class A preferred shares including changing the designation of the Class A preferred shares to non-voting shares. As a result of the amendment, the Corporation is now authorized to issue an unlimited number of common shares, non-voting shares, and preferred shares. The rights attached to the non-voting shares provide for equal participation in the equity of the Corporation with the common shares except that the non-voting shares will not be allowed to vote at any meeting of the shareholders unless specifically permitted by law.

(b) Issued and outstanding

	Number of Units	Amount *($000's)*
Parkbridge 2003 Limited Partnership Partners Capital		
Balance, September 30, 2004	669,681	36,866
Adjustment to opening balance	–	48
	669,681	36,914
Capital distribution	–	(1,518)
	669,681	35,396
Recognition of future income taxes of partnership	–	(3,152)
Cash distribution on exchange of shares for units	–	(1,000)
Balance at date of exchange of shares for units	669,681	31,244

	Number of Shares	Amount *($000's)*
Common Shares (see Note 1)		
Issued for net assets of B-For-G (see (c) below)	826,643	2,496
Issued in exchange for Parkbridge units (see (f) below)	8,100,465	7,468
Issued for loan on private placement (see (d) below)	474,000	1,432
Issued for cash on private placement (see (e) below), net of issue costs	12,727,312	39,221
Subtotal – issued at September 30, 2005	22,128,420	50,617
Deduct: Share purchase loans outstanding	(474,000)	(1,432)
Common share balance, September 30, 2005	21,654,420	49,185
Non-voting Shares		
Issued for net assets of B-For-G (see (c) below)	829,012	2,504
Issued in exchange for Parkbridge units (see (f) below)	25,790,021	23,776
Issued for loan on private placement (see (d) below)	1,181,631	3,568
Subtotal – issued at September 30, 2005	27,800,664	29,848
Deduct: Share purchase loans outstanding	(1,181,631)	(3,568)
Non-voting share balance, September 30, 2005	26,619,033	26,280
Capital Stock balance, September 30, 2005		75,465

(c) B-For-G shares

In connection with completion of the plan of arrangement completed on October 14, 2004, and the amendments which were approved by the shareholders at the meeting held on December 20, 2004, the Corporation completed the financing arrangements with Network Capital Inc. As a result of those amendments the Corporation issued common and non-voting shares at a price of $1.35 per share (post consolidation) on the private placement financing with Network and on conversion of the outstanding debentures. The Corporation also issued to Network, as payment of fees related to the reorganization, 55,000 common shares at a deemed price of $1.94 per share (post consolidation). As this transaction was completed prior to the Partnership transaction, it is reflected in the fair value of the net assets acquired from B-For-G by the Partnership. The following table reconciles the share capital of B-For-G from September 30, 2004 to the date of the Parkbridge Acquisition.

	Common Shares		Non-Voting Shares	
	Number of Shares	Amount *($000's)*	Number of Shares	Amount *($000's)*
Balance, September 30, 2004	50,164,149	99,877	–	–
1 for 3 consolidation	(33,442,766)	–	–	–
	16,721,383	99,877	–	–
Reduction of stated capital	–	(98,290)	–	–
	16,721,383	1,587	–	–
Issue of share capital for fees, cash and conversion of debenture	10,833,334	554	27,633,717	1,278
	27,554,717	2,141	27,633,717	1,278
1 for 33 1/3 consolidation	(26,728,074)	–	(26,804,705)	–
Balance before Parkbridge Acquisition	826,643	2,141	829,012	1,278

(d) Share subscription

In order to secure the option to acquire the Partnership and provide for initial liquidity, B-for-G agreed to complete a private placement of $5,000,000 of common and non-voting shares at a price of $3.02 per share (post-consolidation). The private placement was completed with three corporations which were controlled by three members of the Partnership's management and the Partnership loaned the funds to the corporations subscribing for the shares. The loans incur interest at the rate of 4.5% per annum and are secured by the shares purchased therewith. Any dividends paid on the shares will be applied against interest and principal until the loans are repaid. The balance plus accrued interest is repayable on the earlier of December 20, 2009 and 90 days after the date the officer ceases to be engaged by the Corporation or its affiliates (see Note 15). Stock based compensation expense of $163,309 was recorded during the year ended September 30, 2005 ($nil – nine months ended September 30, 2004) based upon Black Scholes.

The assumptions utilized by management in the Black Scholes model valuation for determining the compensation expense related to the options is a risk free interest rate of 3.5%, a volatility rate of 17%, an annual dividend rate of 3% and an expected life of 3 years.

(e) Private placement

The Corporation entered into an agency agreement to complete a private placement of common shares in order to ensure the Corporation has sufficient capital available to carry out its future plans commencing with the acquisition of the Partnership. As a result, the Corporation issued 12,727,313 common shares at a price of $3.30 (on a post consolidation basis) for gross proceeds of approximately $42.0 million. In addition to the payment of associated expenses, the Corporation paid commissions to an underwriter which included an agency placement fee of 6% of the gross proceeds as well as 509,092 share purchase warrants. Included in the share issue costs is $135,451 representing the imputed cost associated with the issuance of the warrants together with a corresponding increase to contributed surplus. Each share purchase warrant entitles the holder to purchase one common share at an exercise price of $3.30 per common share until September 30, 2006.

(f) Parkbridge acquisition

As discussed in Note 3, the Corporation issued 8,100,465 common and 25,790,021 non-voting shares at an agreed value of $3.02 per share (post consolidation) to acquire 100% of the units of the Partnership. As the Partnership is considered the continuing entity, the old Partnership capital is allocated amongst the series of shares based upon the relative number of shares issued in exchange for the Partnership units since both series participate equally in the capital of the Corporation.

(g) Rights Plan

In August of 2005 the Corporation received approval from the majority of the common shareholders, who did not also hold non-voting shares, to implement the adoption of a rights plan (the "Plan"). With respect to the Plan, upon the occurrence of certain triggering events (including the acquisition by a person or group of 20% or more of the outstanding common shares of the Corporation or 20% or more of the outstanding non-voting shares of The Corporation), the rights effectively entitle holders of common shares and holders of non-voting shares (other than the acquiring person or group) to acquire common shares or non-voting shares, respectively at half of the market price. The rights are not triggered by purchases of common shares or non-voting shares made pursuant to a permitted bid, which is defined as a take-over bid made to all holders of common shares and all holders of non-voting shares for identical consideration per share which is conditional on not less than 50% of the total common shares and non-voting shares (other than those

owned by the acquiring person or group) accepting the bid. If the permitted bid is for less than all of the shares, the common shares and the non-voting shares are to be considered one class for take-up and pay calculations. The Plan does not require the permitted bid to be open for acceptance for any longer than the minimum period otherwise prescribed by applicable securities laws.

(h) Stock options and warrants

The Corporation has the following share purchase options and warrants outstanding at September 30, 2005:

Expiry Date	Exercise Price	Balancer September 30, 2004	Expired/ Cancelled Consolidation	Granted	Balance September 30, 2005
Common Shares					
June 30, 2006	6.00	1,820,500	(1,806,800)	–	13,700
June 20, 2006	3.30	–	–	509,092	509,092
Balance		1,820,500	(1,806,800)	509,092	522,792
Weighted Average Price		0.06	0.06	3.30	3.37
Non-Voting Shares					
December 23, 2009	3.30	–	–	2,485,000	2,485,000
December 23, 2009	3.30	–	(115,000)	2,940,000	2,825,000
August 12, 2010	5.01	–	–	190,000	190,000
Balance		–	(115,000)	5,615,000	5,500,000
Weighted Average Price		0.00	3.30	3.36	3.36

All of the options for the non-voting shares vest as to 1/3 after each of the first, second and third anniversaries of the date of the grant. As at September 30, 2005 all of the options and warrants for the common shares are exercisable, where none of the options for the non-voting shares are exercisable. The weighted average remaining contractual life for the common share options and warrants is 0.72 years. The weighted average remaining contractual life for the non-voting share options is 4.25 years. The assumptions utilized by management in the Black Scholes model valuation for determining the compensation expense related to the options is a risk free interest rate of 3.5%, a volatility rate of 17%, an annual dividend rate of 3% and an expected life of 3 years.

Stock based compensation expense of $506,721 pertaining to the stock options, was recorded during the year ended September 30, 2005 ($nil – nine months ended September 30, 2004), with a corresponding increase in contributed surplus.

(i) Weighted average number of shares

The weighted average number of shares issued and outstanding for the year ended September 30, 2005 was 44,963,402 (nine months ending September 30, 2004 – 33,890,486). The weighted average number of shares utilized for the diluted per share calculations was 50,844,623 for the year ended September 30, 2005 (nine months ending September 30, 2004 – 38,466,947).

(j) Earnings per share

The net income utilized to calculate diluted earnings per share is the same as the net income utilized to calculate basic earnings per share in both periods.

The weighted average number of shares outstanding is adjusted as follows for calculating the weighted average number of shares for purpose of calculating diluted earnings per share.

($000's)	Year ended September 30 **2005**	Nine months ended September 30 2004
Weighted average number of shares - basic	**44,963**	33,890
Management and contingent incentive plan	**4,577**	3,458
Share purchase loans	**321**	–
Stock options and warrants	**984**	–
Weighted average number of common shares - diluted	**50,845**	37,348

13. RETAINED EARNINGS

Prior to the reorganization discussed in Note 1, the entity was organized as a limited partnership. The partnership had a policy of distributing funds to its partners on a quarterly basis dependent upon the expected return of the partners and the cash flow requirements of the partnership. These distributions were in excess of earnings, therefore, it never retained any profits nor did it accumulate a deficit. As a result presentation of a retained earnings (deficit) statement for prior periods is not considered informative and has not been presented.

14. STOCK-BASED COMPENSATION

In connection with the acquisition of the Partnership, the Corporation agreed to assume certain obligations related to two unit-based compensation plans of the Partnership, the Management Incentive Plan ("Incentive Plan") and the Participant's Contingent Incentive Plan ("Contingent Plan").

(a) Management Incentive Plan

Under the Incentive Plan, participants, all of whom are management employees, were to receive either cash or Partnership units of equal value, at the discretion of the general partner, equal to their proportionate share of the increase in the Partnership's net asset value from the date of grant, May 31, 2003, to the settlement date. The Corporation agreed to accept this obligation based upon having the unit settlement converted to a share settlement in the form of non-voting shares valued at a price of $3.02 per share. The Corporation intends to settle the plan by issuing shares. 50% of the awards vested on July 31, 2005, and the remaining 50% of the awards will vest on July 31, 2006. The plan value has been established at $9,544,650 at December 23, 2004 therefore the maximum number of non-voting shares that would be issued under the plan is 3,160,480 shares.

Parkbridge recorded compensation expense relating to the Incentive Plan of $3,342,561 with a corresponding increase to contributed surplus for the twelve months ended September 30, 2005 (nine months ended September 30, 2004 - $2,975,176). In the aggregate $8,288,775 of compensation expense has been recorded to date. No shares were issued, cancelled, expired or forfeited during the year.

(b) Contingent Incentive Plan

Under the Contingent Plan, participants were to receive on December 31, 2006, 30,320 Partnership units or cash of equal value, at the discretion of the general partner. The Corporation agreed to accept this obligation based upon having the unit settlement converted to a share settlement in the form of non-voting shares valued at a price of $3.02 per share. The Corporation intends to settle the plan by issuing shares. The plan value has been established at $5,106,186 at December 23, 2004 therefore the maximum number of non-voting shares that would be issued under the plan is 1,690,790 shares.

The fair value of the awards under this plan was measured as of the grant date May 31, 2003, and the total fair value of $3,031,950 was expensed over the vesting period which ended on July 1, 2004. As such, compensation expense relating to the Contingent Plan has been fully recognized prior to the current reporting period. For the twelve months ended September 30, 2005 $nil was expensed (nine months ended September 30, 2004 - $1,270,313). All awards granted under the Contingent Plan remain outstanding at September 30, 2005. No shares were issued cancelled, expired or forfeited during the year.

15. RELATED PARTY TRANSACTIONS

At September 30, 2005, Parkbridge had a note receivable in the amount of $250,000 due from 1361764 Ontario Limited (September 30, 2004 - $250,000), which is owned by a former partner of the Partnership, who is now a shareholder and officer of the Corporation. The amount is unsecured and is payable on demand. Interest is charged at a rate of 4.5% per annum with interest payments being received quarterly. The Corporation also made loans to corporations controlled by three members of the Partnership's management pursuant to a subscription agreement (see Note 12).

Included in accounts payable at September 30, 2005 is an amount of $855,396 (September 30, 2004 - $686,844) owing to Parkbridge Communities Inc., a company providing management services to the Corporation. These amounts, which were incurred in the normal course of operations, have been recorded at the exchange amount which represents the fair market value as negotiated with any third party. Parkbridge Communities Inc. is owned by an entity controlled by one of the former partners of the Partnership who is now a director of the Corporation. Total management fees expensed during the year ended September 30, 2005 were $2,753,701 (nine months ended September 30, 2004 - $1,994,799).

During the year ended September 30, 2005, the former Partners of the Partnership loaned the Partnership $13,675,091 in the form of a bridge loan to complete the acquisitions discussed in Note 4. The loans were repayable on demand and incurred interest at the rate of 10% per annum. The full balance of the loans was repaid in December of 2004 along with interest in the amount of $224,257.

16. COMMITMENT AND CONTINGENCIES

Management Contract

On December 23, 2004 the Corporation entered into an amended management contract with Parkbridge Communities Inc. ("PCI" or the "Manager") (see Note 15) whereby PCI provides certain management services to the Corporation including asset management, oversight of property management, acquisitions, dispositions, development, financing and all head office accounting, administration, reporting and compliance services. The manager incurs all costs related to the provision of these services. The fees payable under the contract consist of an annual fee of 1% of the adjusted gross book value of the assets of the Corporation, plus 5% of rental revenues from each property. The adjusted gross book value of the assets at September 30, 2005 was determined to be $231,837,257 which is the deemed gross asset value of the transactions completed on December 23, 2004 plus the change in the gross book value of the real estate assets to September 30, 2005. The management contract may be terminated on December 31, 2006 upon payment of an undetermined amount to be negotiated in good faith by the Corporation and the Manager but not to exceed two times the annual management fees to be calculated by annualizing the management fees payable for the then most recent quarter, subject to a maximum payment of $8 million.

Landlord and tenant legislation

Manufactured home communities in Alberta are governed by the Mobile Home Sites Tenancies Act and in Ontario by the Tenants Protection Act.

Contingent liabilities

Parkbridge is party to various legal actions resulting from its operating activities. These actions are routine litigation and administrative proceedings arising in the ordinary course of business, some of which are covered by liability insurance, and none of which are expected to have a material adverse effect on the consolidated financial condition, results of operations or cash flows of Parkbridge and its subsidiaries taken as a whole.

As of September 30, 2005, Parkbridge's outstanding purchase obligations with respect to manufacturers of homes to be delivered and installed in Parkbridge's communities totaled $1,940,387 (September 30, 2004 - $293,536). As of September 30, 2005, Parkbridge's purchase commitments with respect to development expenditures totaled $970,800 (September 30, 2004 - $nil).

Financial commitments and guarantees

Parkbridge has no material financial commitments or guarantees that are not reflected in these consolidated financial statements. Parkbridge has granted certain environmental indemnities to certain lenders in the normal course of borrowing. Parkbridge does not foresee any financial obligation arising from these indemnities.

17. FINANCIAL INSTRUMENTS

Financial instruments, which include accounts receivable, secured debt and accounts payable, are recorded at the lower of their cost and estimated realizable value. Except as disclosed in Note 10, the fair value of all financial instruments approximates their carrying values given the relatively short period to maturity.

Interest rate risk

Parkbridge is exposed to interest rate risk arising from fluctuations in interest rates. This risk is mitigated since the interest rates applicable to a substantial portion of the Corporation's debt are fixed for the long term. As at September 30, 2005, $67.2 million of the total of $71.6 million in debt carried a fixed rate of interest which at September 30, 2005 had a weighted average rate of 6.11% (September 30, 2004 – $39 million of the total of $53 million in debt which at September 30, 2004 had an average rate at 6.86%). The corporation does not use derivative instruments to reduce its exposure to interest rate risk.

Credit risk

Credit risk results from the possibility that Parkbridge's tenants may be unable to fulfill their rental commitments due to financial difficulties. This risk is minimized by the large number of tenants and because a credit assessment of prospective tenants is performed prior to entering into a rental agreement.

18. SEGMENTED INFORMATION

Parkbridge has two reportable segments: property operations (ownership of land leases, brokerage and RV resales, land development, acquisition and disposition) and sales operations (sale of new homes and new RV units, to be sited on land owned by Parkbridge). The property operations segment consists of residential and recreational land lease communities that generate rental and other property related income through the leasing of land to residents that are unrelated to Parkbridge. The sales operations segment sells manufactured homes and RV units to customers that are unrelated to Parkbridge. The homes or RV units sold as part of the sales operation segment are situated on individual sites within Parkbridge's portfolio of rental properties. The customers of the home and RV sales business become residents of Parkbridge's property operation segment coincident with the sale of a home or RV, at which time the customer enters into a lease with the property operations segment. No revenues are generated from transactions with other segments and no single resident or customer contributed 10% or more of total revenues during the twelve months ended September 30, 2005 or 2004.

Non-segment revenue used to reconcile total revenue consists of interest income and other income. Non-segment assets used to reconcile to total assets include cash and cash equivalents, restricted cash, accounts receivable, prepaid expenses, investments, deferred charges and other assets. Overhead expenses, such as administrative expenses, are allocated to each segment based upon management's best estimate of the resources utilized in the management and operations of each segment. The accounting policies of the segments are the same as those described in Note 2.

Canadian generally accepted accounting principles requires that segment disclosures present the measure(s) used by the chief operating decision maker for purposes of assessing such segments' performance. Parkbridge's chief operating decision maker is comprised of its executive senior management team who use several generally accepted industry financial measures to assess the performance of the business. Specifically, Parkbridge's chief operating decision makers assess and measure segment operating activities based on contribution margins from each segment.

The revenues, profit (loss) and assets for each of the reportable segments are summarized in the following tables for the twelve and nine months ended September 30, 2005 and 2004.

($000's)	Property Operations	Sales Operations	Corporate, Interest and Other	**Total**
		Year Ended September 30, 2005		
Revenues	25,659	16,317	–	**41,976**
Contribution margin	14,218	2,459	–	**16,677**
Interest expense	–	–	(3,854)	**(3,854)**
Interest Income	–	–	168	**168**
Asset management expenses	–	–	(1,940)	**(1,940)**
Depreciation and amortization	(2,436)	–	–	**(2,436)**
Unit-based compensation	–	–	(4,013)	**(4,013)**
Income and capital tax	(563)	–	–	**(563)**
Income tax - future & deferred credit	(807)	–	–	**(807)**
Net income	10,412	2,459	(9,639)	**3,232**
Assets (September 30, 2005)	181,269	6,694	6,258	**194,221**
Capital additions	59,088	–	1,573	**60,661**

($000's)	Property Operations	Sales Operations	Corporate, Interest and Other	Total
		Nine Months Ended September 30, 2004		
Revenues	12,699	9,332	–	22,031
Contribution margin	8,274	1,249	–	9,523
Interest expense	–	–	(2,429)	(2,429)
Asset management expenses	–	–	(1,415)	(1,415)
Depreciation and amortization	(1,391)	–	–	(1,391)
Stock-based compensation	–	–	(4,863)	(4,863)
Income and capital tax	(51)	–	–	(51)
Income tax – future	(336)	–	–	(336)
Net income	6,496	1,249	(8,707)	(962)
Assets (September 30, 2004)	108,909	5,423	1,178	115,510
Capital Additions	7,545	–	507	8,052

19. STATEMENT OF CASH FLOWS

Cash and cash equivalents consists of the following:

($000's)	**September 30, 2005**	September 30, 2004
Beginning of period		
Cash, cash equivalents and restricted cash	–	5,012
Restricted cash	(461)	(427)
Bank indebtedness	(3,266)	–
	(3,727)	4,585
End of period		
Cash, Cash equivalents and restricted cash	3,326	–
Restricted cash	(546)	(461)
Bank indebtedness	(5,783)	(3,266)
	(3,003)	(3,727)

20. SUBSEQUENT EVENTS

Acquisitions

Subsequent to year end, Parkbridge acquired three Resorts (1,054 sites expandable to approximately 1,250 sites) and four Communities (637 sites) for a total cost of $29.2 million inclusive of assumed long term financings of $6.3 million.

Parkbridge has also entered into purchase and sale agreements to acquire three Communities (486 sites expandable to approximately 795 sites) for a total cost of approximately $14.6 million. It is anticipated that these acquisitions will be completed by early January 2006.

Long term financing

Subsequent to year end, Parkbridge completed long term financing on two properties consisting of a $3.25 million mortgage at a rate of 5.193% fixed for a term of ten years and a $5.5 million mortgage at a rate of 6.33% fixed for a term of five years. Both mortgages are secured by the respective properties with no corporate guarantees beyond usual environmental indemnities.

Operating and Acquisition Facility

Subsequent to year end the Corporation completed an agreement to increase its bank operating facilities. The Corporation increased its operating facility (the "Operating Facility") described in Note 9 to $24 million and arranged for an additional $30 million available through an acquisition facility (the "Acquisition Facility"). The facilities are both revolving in nature. The Operating Facility is secured by first mortgages on two selected properties and a second mortgage on an additional property. The Acquisition Facility is secured by first mortgages on properties as acquired. The facilities require a standby fee of 0.5% per annum when not funded and bears interest at the bank's prime rate on any funded balances. The facilities require the Corporation to meet certain financial covenants all of which are met at the date of issuing financial statements. The Corporation will have drawn $21.2 million on its Acquisition Facility to complete the acquisitions discussed above. Management is currently negotiating long term financing on several properties.

Mortgage defeasance

In December of 2005, the Corporation agreed to refinance one of its properties. The existing mortgage on the property which will be refinanced had an outstanding balance of $10.5 million and a fixed interest rate of 7.9%. This mortgage will be defeased through the purchase of substitute security consisting of interest bearing bonds at a cost of $12.5 million. The interest on these bonds together with principal redemptions are sufficient to fund the remaining payments required thereunder. The property will be concurrently refinanced with a $22.5 million mortgage which will bear interest at a rate of approximately 5.36% fixed for a term of ten years. The cost of the defeasance of the old mortgage and related fees will be expensed in the Corporation's first quarter of 2006, resulting in a one-time charge against earnings of approximately $2.0 million. As a result of the transaction, the Corporation will generate net proceeds of $9.8 million and will save approximately $0.3 million per annum in interest costs over each of the next five years.

CORPORATE INFORMATION

DIRECTORS

Ian Cockwell [1,2]
President & CEO,
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Oakville, ON

Walter Borthwick [2]
Former Chairman of the
Ontario Municipal Employees
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Wasaga Beach, ON

Barry Emes [2]
Partner, Stikeman Elliott LLP
Calgary, AB

Joseph F. Killi
Chief Executive Officer,
Parkbridge Lifestyle Communities Inc.
Calgary, AB

Gary Perron [1,2]
Managing Director & Senior Vice President,
BMO Nesbitt Burns Inc.
Calgary, AB

John Ratzke Sr.
President,
Parkside Holdings Ltd.
Red Deer, AB

David Richards [1]
Managing Director,
Network Capital
Calgary, AB

Norbert Warnke [1]
President, Regency/Chateau Care Corporation
King City, ON

1. Audit Committee
2. Governance & Compensation Committee

OFFICERS

Ian Cockwell
Chairman of the Board

Joseph F. Killi
Chief Executive Officer

Iain Stewart
President, Western Operations

David Rozycki
President, Eastern Operations

Glenn McCowan
Vice President, Finance,
Chief Financial Officer & Secretary

Randy Jones
Vice President, Western Operations

John Ratzke Jr.
Vice President, Development,
Planning & Acquisitions

AUDITORS

Deloitte & Touche LLP
Calgary, AB

REGISTRAR & TRANSFER AGENT

Computershare Trust Company
of Canada

STOCK EXCHANGE LISTING

The Toronto Stock Exchange Symbols:
Common Shares: **PRK**
Non-voting Shares: **PRK.NV.A**

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